Testimony on a Michigan Health Insurance Exchange
House Health Policy Committee

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Good morning Representatives and thank you for the opportunity to testify. My name is Jane Caplinger, Director of Health Initiatives for the American Cancer Society, Great Lakes Division.

It is a fundamental principle of the American Cancer Society that all Americans should have meaningful public or private health insurance. By meaningful insurance, we mean that coverage is 1), adequate…2), affordable…3), available…and 4), administratively simple.

With that in mind I can tell you that I am here in support of designing a health insurance exchange for Michigan that ensures that cancer patients, and patients with other chronic diseases, have the best choices possible when it comes to selecting their health insurance.

As Michigan considers how to create and implement an exchange, the following are the most important questions to address. The purpose of the questions is simple… to assure the exchanges are set up "RIGHT" from the beginning.

1. The first question that we ask is: **Is the exchange board properly structured?**

The governance board will make the critical management and policy decisions that determine the direction and success of the exchange. It is important that the members have appropriate management to successfully make the many critical administrative decisions that must be made by 2014. It is imperative that board members not have a conflict with their business or professional interests. Finally, the governance board must be held publicly accountable through open meeting laws and solicitation of public comments.

2. **Is the Medicaid program well integrated with the exchange**?

Under the Affordable Care Act, all individuals with incomes under 133 percent of the federal poverty level are eligible for coverage under Medicaid. The exchanges are responsible for screening and enrolling eligible people in the program. It will be critical that the exchange is well integrated with the state Medicaid program to ensure seamless enrollment. Further, because many individuals will move between Medicaid and the

exchange over time due to fluctuation in income, it is crucial that exchange rules allow for coordination of plans, benefits, and physician networks to ensure continuous coverage.

3. **Does the exchange have a continuous and stable source of funding?**

To facilitate good management and planning, it is important that the exchanges have a predictable and steady source of funding. Otherwise, there is a risk that funding will become vulnerable to the often unpredictable legislative appropriations process. One option is to establish fees on insurers, which should be assessed on plans inside and outside the exchange, so carriers outside the exchange are not afforded an unfair financial advantage that could lead to adverse selection.

4. **Does the exchange have authority to be an active purchaser?**

To best promote high quality care, innovative delivery system reforms, and for slowing the rate of growth of health care costs, the exchange should have the authority to be "active purchasers" when selecting participating health plans. With this authority, exchanges could use their considerable market power and certification authority to limit exchange participation only to plans with a high level of quality and/or value when market conditions permit.

5. **Do the rules inside the exchange complement the rules outside the exchange to mitigate "adverse selection"?**

It is essential that the insurance rules are comparable for plans inside and outside the exchanges, thus promoting a level playing field. If plans outside the exchanges can sell products under more favorable terms, those plans can cherry pick the healthiest consumers, with the exchanges ultimately becoming an insurance pool of primarily high-risk individuals. This would result in high and potentially unaffordable insurance premiums for those consumers who need care the most.

6. Is the exchange structured to emphasize administrative simplicity for consumers?
A major goal of the ACA is to make information about insurance more accessible. Consumers must be able to easily access not only information such as premium rates and enrollment forms, but also critical additional information, such as each plan's benefits, provider networks, appeals processes and consumer satisfaction measures. This information should be available in multiple languages and literacy levels.

As our state considers how to create and implement an exchange, I hope that you keep these important questions and recommendations in mind. Thank you for your time.